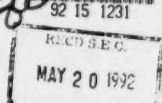


032187  
Q-34755

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q



108  
392-2254

☒ QUARTERLY REPORT UNDER SECTION 13 OF THE SECURITIES EXCHANGE ACT OF 1934

For Quarter Ended April 4, 1992

☐ TRANSITION REPORT PURSUANT TO SECTION 12 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 0-19386

PROCESSED BY

10/10 M

MAY 22 1992

Microfilmed by

Q-Data Corp. - St. Petersburg, FL

**FISCHER IMAGING CORPORATION**

(Exact name of Registrant as specified in its charter)

DELAWARE

(State of incorporation)

36-2756787

(I.R.S. Employer Identification No.)

12300 North Grant Street

Denver, Colorado

(Address of principal executive offices)

80241

(Zip Code)

Registrant's telephone number, including area code: (303) 452-6800

Indicate by check mark whether the Registrant (i) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (ii) has been subject to such filing requirements for the past 90 days. Yes X No     

Title of Class

Common Stock,  
\$0.01 par value

Shares Outstanding as of  
May 1, 1992

5,432,762

**BEST COPY  
AVAILABLE**

**FISCHER IMAGING CORPORATION**

**TABLE OF CONTENTS**

| <b>PART I.</b>  | <b>FINANCIAL INFORMATION</b>                                                                   | <b><u>Page</u></b> |
|-----------------|------------------------------------------------------------------------------------------------|--------------------|
| Item 1.         | Consolidated Financial Statements                                                              |                    |
|                 | Consolidated Balance Sheets -<br>April 4, 1992 and December 31, 1991                           | 3                  |
|                 | Consolidated Statements of Operations -<br>Three months ended April 4, 1992 and March 31, 1991 | 4                  |
|                 | Consolidated Statements of Cash Flows -<br>Three months ended April 4, 1992 and March 31, 1991 | 5                  |
|                 | Notes to Consolidated Financial Statements                                                     | 6                  |
| Item 2.         | Management's Discussion and Analysis of Financial<br>Condition and Results of Operations       | 9                  |
| <b>PART II.</b> | <b>OTHER INFORMATION</b>                                                                       |                    |
| Item 6.         | Exhibits and Reports on Form 8-K                                                               | 11                 |

**FISCHER IMAGING CORPORATION**  
**CONSOLIDATED BALANCE SHEETS**

**ASSETS**

|                                                                                             | April 4,<br>1992<br>(Unaudited) | December 31,<br>1991 |
|---------------------------------------------------------------------------------------------|---------------------------------|----------------------|
| <b>CURRENT ASSETS:</b>                                                                      |                                 |                      |
| Cash and cash equivalents                                                                   | \$ 4,855,555                    | \$ 5,448,215         |
| Trade accounts receivable, net of<br>allowances of \$449,000 and<br>\$459,000, respectively | 13,141,282                      | 12,424,574           |
| Inventories                                                                                 | 16,872,783                      | 16,721,582           |
| Other current assets                                                                        | 1,336,311                       | 1,022,614            |
| Total current assets                                                                        | <u>36,005,911</u>               | <u>35,616,985</u>    |
| <b>PROPERTY AND EQUIPMENT (at cost):</b>                                                    |                                 |                      |
| Manufacturing equipment                                                                     | 4,181,433                       | 4,118,239            |
| Office equipment and leasehold<br>improvements                                              | 3,056,800                       | 2,756,582            |
|                                                                                             | 7,238,233                       | 6,874,821            |
| Less-Accumulated depreciation and<br>amortization                                           | 4,689,510                       | 4,452,519            |
| Property and equipment, net                                                                 | <u>2,568,723</u>                | <u>2,422,302</u>     |
| <b>DEFERRED COSTS AND OTHER ASSETS</b>                                                      | 1,221,773                       | 1,000,047            |
| Total assets                                                                                | <u>\$ 39,796,407</u>            | <u>\$ 39,039,334</u> |

**LIABILITIES AND STOCKHOLDERS' INVESTMENT**

|                                                                                                                                        |                      |                      |
|----------------------------------------------------------------------------------------------------------------------------------------|----------------------|----------------------|
| <b>CURRENT LIABILITIES:</b>                                                                                                            |                      |                      |
| Bank overdraft                                                                                                                         | \$ 640,837           | \$ 231,571           |
| Notes payable and current<br>maturities of long term debt                                                                              | 727,180              | 667,640              |
| Trade accounts payable                                                                                                                 | 4,405,196            | 5,940,374            |
| Accrued salaries and wages                                                                                                             | 1,358,822            | 1,469,264            |
| Other current liabilities                                                                                                              | 5,563,648            | 3,797,740            |
| Total current liabilities                                                                                                              | 12,695,683           | 12,106,589           |
| <b>LONG-TERM DEBT</b>                                                                                                                  | 1,999,345            | 2,125,419            |
| <b>OTHER NONCURRENT LIABILITIES</b>                                                                                                    | 418,397              | 636,404              |
| Total liabilities                                                                                                                      | <u>15,113,425</u>    | <u>14,870,412</u>    |
| <b>STOCKHOLDERS' INVESTMENT:</b>                                                                                                       |                      |                      |
| Common Stock, \$.01 par value, 25,000,000 shares<br>authorized, 5,419,942 and 5,381,956 shares<br>issued and outstanding, respectively | 54,199               | 53,820               |
| Additional paid-in capital                                                                                                             | 24,342,975           | 24,288,264           |
| Accumulated earnings                                                                                                                   | 594,491              | 112,139              |
| Note receivable for common stock<br>(19,876)                                                                                           | (19,876)             | (19,876)             |
| Cumulative translation adjustment<br>(265,807)                                                                                         | (265,807)            | (265,425)            |
| Total stockholders' investment                                                                                                         | <u>24,682,982</u>    | <u>24,168,922</u>    |
| Total liabilities and stockholders' investment                                                                                         | <u>\$ 39,796,407</u> | <u>\$ 39,039,334</u> |

The accompanying notes are an integral part of these balance sheets.

**FISCHER IMAGING CORPORATION**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**

(Unaudited)

|                                                                     | Three Months Ended |                   |
|---------------------------------------------------------------------|--------------------|-------------------|
|                                                                     | April 4,<br>1992   | March 31,<br>1991 |
| NET REVENUES                                                        | \$15,371,700       | \$13,165,173      |
| COST OF SALES                                                       | <u>9,567,653</u>   | <u>8,419,560</u>  |
| Gross profit                                                        | <u>5,804,047</u>   | <u>4,745,613</u>  |
| OPERATING EXPENSES:                                                 |                    |                   |
| Research and development                                            | 1,284,018          | 1,315,089         |
| Selling, marketing and service                                      | 3,011,708          | 2,016,170         |
| General and administrative                                          | <u>698,588</u>     | <u>675,598</u>    |
| Total operating expense                                             | <u>4,994,314</u>   | <u>4,006,857</u>  |
| EARNINGS FROM OPERATIONS                                            | 809,733            | 738,756           |
| Interest expense                                                    | (87,254)           | (330,081)         |
| Interest income                                                     | 56,008             | 3,392             |
| Other income                                                        | <u>94,850</u>      | <u>24,485</u>     |
| EARNINGS BEFORE INCOME TAXES                                        | 873,337            | 436,552           |
| Provision for income taxes                                          | <u>390,985</u>     | <u>30,000</u>     |
| NET EARNINGS                                                        | 482,352            | 406,552           |
| Dividends and costs related<br>to Series A Preferred Stock          | <u>—</u>           | <u>157,115</u>    |
| Net earnings attributable to<br>common and common equivalent shares | \$ <u>482,352</u>  | \$ <u>249,437</u> |
| Net earnings per common<br>and common equivalent share              | \$ <u>.09</u>      | \$ <u>.07</u>     |
| Weighted average common and common<br>equivalent shares outstanding | <u>5,517,289</u>   | <u>3,667,293</u>  |

The accompanying notes are an integral part of these statements.

**FISCHER IMAGING CORPORATION**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

(Unaudited)

|                                                                                                | Three Months Ended |                    |
|------------------------------------------------------------------------------------------------|--------------------|--------------------|
|                                                                                                | April 4,<br>1992   | March 31,<br>1991  |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>                                                   |                    |                    |
| Net earnings                                                                                   | <u>\$ 482,352</u>  | <u>\$ 406,552</u>  |
| Adjustments to reconcile net earnings to net cash provided by (used in) operating activities - |                    |                    |
| Depreciation and amortization                                                                  | 216,992            | 193,777            |
| Amortization of deferred gain on building sale                                                 | (10,337)           | (10,337)           |
| Amortization of deferred compensation                                                          | 14,899             | --                 |
| Net changes in assets and liabilities -                                                        |                    |                    |
| (Increase) decrease in trade accounts receivable                                               | (716,688)          | 848,007            |
| Increase in inventories                                                                        | (151,201)          | (1,078,769)        |
| Increase in other current assets                                                               | (313,697)          | (214,329)          |
| (Increase) decrease in deferred costs and other assets                                         | (221,726)          | 10,718             |
| Increase in bank overdraft                                                                     | 409,266            | 38,320             |
| Increase (decrease) in trade accounts payable                                                  | (1,535,178)        | 1,792,733          |
| Decrease in accrued salaries and wages                                                         | (110,442)          | (121,565)          |
| Increase (decrease) in other current liabilities                                               | 1,665,048          | (74,568)           |
| Decrease in other non-current liabilities                                                      | (108,810)          | (22,891)           |
| Total adjustments                                                                              | <u>(861,874)</u>   | <u>1,361,096</u>   |
| Net cash provided by (used in) operating activities                                            | <u>(379,522)</u>   | <u>1,767,648</u>   |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>                                                   |                    |                    |
| Capital expenditures, net                                                                      | <u>(363,413)</u>   | <u>(117,604)</u>   |
| Net cash used in investing activities                                                          | <u>(363,413)</u>   | <u>(117,604)</u>   |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>                                                   |                    |                    |
| Proceeds from sale of common stock, net                                                        | 40,191             | --                 |
| Net borrowings (repayments) under line of credit agreements                                    | 59,541             | (1,375,711)        |
| Repayments of long-term debt                                                                   | (126,075)          | (313,245)          |
| (Increase) decrease in cumulative translation adjustment                                       | (23,382)           | 29,841             |
| Payment of dividends on Series A Preferred Stock                                               | --                 | (150,000)          |
| Net cash used in financing activities                                                          | <u>(49,725)</u>    | <u>(1,809,115)</u> |
| <b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>                                               | <u>(792,680)</u>   | <u>(159,071)</u>   |
| <b>CASH AND CASH EQUIVALENTS, beginning of period</b>                                          | <u>5,448,215</u>   | <u>239,560</u>     |
| <b>CASH AND CASH EQUIVALENTS, end of period</b>                                                | <u>\$4,655,555</u> | <u>\$ 80,489</u>   |

The accompanying notes are an integral part of these statements.

# FISCHER IMAGING CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

### 1. GENERAL

In the opinion of management, the accompanying unaudited consolidated balance sheets and statements of operations and cash flows contain all adjustments, consisting only of normal recurring items, necessary to present fairly the financial position at April 4, 1992 and the results of operations and cash flows for the three months ended April 4, 1992 and March 31, 1991.

The unaudited financial statements presented herein have been prepared in accordance with the instructions to Form 10-Q and do not include all the information and note disclosures required by generally accepted accounting principles. The financial statements should be read in conjunction with the audited financial statements and notes thereto contained in Fischer Imaging Corporation's ("the Company") latest annual report on Form 10-K.

### 2. NOTES PAYABLE AND LONG-TERM DEBT

Notes payable and long-term debt consist of the following:

|                                                                        | April 4,<br>1992 | December 31,<br>1991 |
|------------------------------------------------------------------------|------------------|----------------------|
| Notes payable to banks under revolving line of credit agreements ..... | \$ 218,926       | \$ 159,365           |
| Promissory note payable .....                                          | 1,988,555        | 2,078,356            |
| Capitalized lease obligations .....                                    | 519,044          | 555,318              |
|                                                                        | <hr/>            | <hr/>                |
|                                                                        | 2,726,525        | 2,793,059            |
| Less—Current maturities...                                             | (727,180)        | (667,640)            |
|                                                                        | <hr/>            | <hr/>                |
| Long-term debt                                                         | \$ 1,999,345     | \$ 2,125,419         |

### **3. INVENTORIES**

Inventories include costs of materials, direct labor and manufacturing overhead. Inventories are priced at the lower of cost (using primarily the last-in, first-out ("LIFO") method of valuation) or market.

Inventories consisted of the following components:

|                                    | April 4,<br>1992    | December 31,<br>1991 |
|------------------------------------|---------------------|----------------------|
| FIFO cost--                        |                     |                      |
| Raw materials                      | \$ 8,808,478        | \$ 8,440,778         |
| Work in process and finished goods | 9,530,330           | 9,524,710            |
| LIFO valuation adjustment          | (1,264,025)         | (1,243,906)          |
| Total inventories                  | <u>\$16,872,783</u> | <u>\$16,721,582</u>  |

### **4. NET EARNINGS PER COMMON AND COMMON EQUIVALENT SHARE**

Net earnings per share is computed based on results of operations attributable to common stock and weighted average number of common and common equivalent shares outstanding during each of the periods. Options on 42,947 shares at April 4, 1992 and 78,320 shares at December 31, 1991 have been treated as outstanding common stock equivalents.

Earnings per share of common stock are calculated by dividing the net earnings by the weighted average of common and common equivalent shares outstanding during each of the periods.

### **5. EFFECT OF ACCOUNTING PRONOUNCEMENTS**

In February 1992, the Financial Accounting Standards Board issued "Statement of Financial Accounting Standards No. 109--Accounting For Income Taxes." The Company is required to adopt the new accounting and disclosure rules no later than the first quarter of 1993 although earlier adoption is permitted. The Company will adopt this statement prospectively with no material impact on its financial position.

## **MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL PERFORMANCE**

### **Results of Operations**

Net revenues for the three months ended April 4, 1992 increased 16.8% to \$15.4 million from \$13.2 million for the same three month period of a year ago. The increase in net revenues was due to higher sales through the Company's direct sales organization. Sales of the Company's MAMMOTEST™ stereotactic breast biopsy system experienced significant growth, when compared to the first quarter of 1991. OEM sales were essentially equal to the first quarter of last year, while dealer sales were slightly down, when compared to the same period.

Gross profit expressed as a percent of net revenues for the three month period increased to 37.8% from 36.0% for the same period a year ago as a result of increases of sales through the Company's direct sales organization. In addition to the transition to direct sales, the shift in product mix to a higher volume of MAMMOTEST™ systems had a favorable impact on gross margins.

Research and development expense of \$1.3 million for the three month period essentially equalled the level of expense from a year ago. This leveling of expense was practically the result of a decrease in the cost associated with a certain OEM development project. When expressed as a percent of net revenues, research and development expense was 8.4% for the first quarter, compared to 10.0% from a year ago.

Selling, marketing and service expense increased 49.4% for the three month period, to \$3.0 million or 19.6% of net revenues, compared to \$2.0 million, or 15.3% of net revenues for the same period of a year ago. This increase reflects the Company's continued investment in direct sales and service personnel, as well as higher provisions for warranty and installation and commissions recorded as a result of the increase in direct sales volume.

General and administrative expense for the three month period was \$699,000, reflecting an approximate 3% increase from the same period in 1991.

Earnings before income taxes increased to \$873,000 in the quarter, from \$437,000 for the same quarter a year ago. This earnings increase was primarily due to the elimination of approximately \$243,000 of interest expense, as well as an increase in earnings from operations.

## **Income Taxes**

The provision for income taxes for the three month period was \$391,000, reflecting an effective tax rate of 44.8%, compared to an effective tax rate of 6.9% from the first quarter of 1991. During 1991 the Company benefited from net operating loss carryforwards. This benefit has since been fully utilized. The Company is attempting to improve its tax position in the remainder of the year.

## **Liquidity and Capital Resources**

At April 4, 1992, the Company had net working capital of \$23.3 million, compared to \$23.5 million of net working capital at December 31, 1991. For the three months ended April 4, 1992, the Company had negative cash flows from operations of \$380,000, caused primarily by increased accounts receivable partially offset by a net increase in liabilities due largely to deposits from customers.

The Company currently has in place an \$8.0 million working capital line of credit, which is secured by accounts receivable, inventory and fixed assets and subject to borrowing base restrictions. The line of credit expires on November 9, 1992 at which time the Company intends to renew or replace. At April 4, 1992, there were no borrowings outstanding under this line of credit.

The Company expects to fund its working capital needs for the foreseeable future through cash flows from operations and its existing lines of credit.

## **PART II. OTHER INFORMATION**

### **Item 6 (a): Exhibits**

None.

### **Item 6 (b): Reports on Form 8-K**

There were no reports on Form 8-K filed for the quarter ended April 4, 1992.

## SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this Quarterly Report on Form 10-Q for the quarter ended April 4, 1992, to be signed on its behalf by the undersigned thereunto duly authorized.

FISCHER IMAGING CORPORATION



Roberto A. Cascella  
Executive Vice President and  
Chief Financial Officer

DATE: May 13, 1992